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# **Governor's Executive Budget**

**Fiscal Year 2003**

## **Special Session**

**August 2002**

**Governor Judy Martz**  
**State of Montana**

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# OFFICE OF THE GOVERNOR

STATE OF MONTANA

JUDY MARTZ  
GOVERNOR



STATE CAPITOL  
PO BOX 200801  
HELENA, MONTANA 59620-0801

July 19, 2002

Honorable President and Members of the Senate  
Honorable Speaker and Members of the House

Honored Members of the Fifty-Seventh Legislative Special Session:

In accordance with Article VI, Section 9, of the Constitution of Montana, I hereby transmit to you my recommendations to bring the 2003 biennial budget into balance by the end of fiscal year 2003. In order to achieve this balance, hard choices were made regarding virtually every program in state government.

You can expect full cooperation from this office and from the executive branch agencies during your deliberations.

I wish the members of the special session well as you go about your work on this proposal.

Sincerely,

A handwritten signature in cursive script that reads "Judy Martz".

JUDY MARTZ  
Governor



## EXECUTIVE BUDGET OVERVIEW

The goal of this executive budget is to bring the state budget into balance for the 2003 biennium. Dramatic and unexpected declines in corporate and personal income tax revenue, and higher than expected refunds, have affected Montana and most other states. In response, we have:

- Implemented agency budget reductions for FY 2003 under the provisions of 17-7-140, MCA, which included \$23.25 million of spending reductions and \$14.60 million of fund transfers; and
- Called a Special Session of the Fifty-Seventh Legislative Assembly to consider an additional \$45.26 million of spending reductions, transfers and revenue reallocations.

Budget reductions implemented under the Governor's statutory authority already have been made for fiscal year 2003 and entered on the SABHRS (Statewide Accounting, Budgeting and Human Resources System). By substantive law, these reductions were limited to only about 40 percent of the state general fund budget due to exclusions of specific functions. The earlier reductions are not part of the recommendations for the Special Session, but are shown in Appendix A for your information. It is important to note that these reductions are not reflected in the HB 2 figures you will be using during the Special Session.

Substantive law requires the "reductions in spending must be designed to have the least adverse impact on the provision of services determined to be most integral to the discharge of the agency's statutory responsibilities." My office has worked diligently with the agencies to identify as many reductions as possible with the least severe impacts.

Reductions are not equal by percentage from agency to agency because some agencies have a much greater opportunity to use fund switches that save general fund or to not move forward with various grants and contracts during the balance of the biennium. General fund in some agencies was reduced by 10 percent in the initial budget reductions. For many agencies, no further reductions are being recommended during Special Session, except for the four statewide reductions, which will be significant for all agencies.

Difficult actions are being recommended to restore the required ending fund balance.

- **Statewide Reductions are recommended to total \$7.076 million:**
  - Two-day furlough for all full-time employees in non-critical positions and pro-rated for part-time staff will save \$1.053 million general fund [LC0035—please see Appendix B for the complete list of bills]
  - Hiring freeze of all non-critical positions as determined by the respective approving authorities is budgeted at \$1.4 million general fund [LC0035]
  - Amending 2-18-505, MCA, to require state employees and officers to use a state-owned or leased vehicle whenever one is available will save about \$400,000 general fund [HB 6]



- A 20 percent reduction of the FY 2003 general fund in the HB 13 pay plan, without a corresponding change to the pay plan schedules, will require agencies to absorb additional budget reductions which total \$4.223 million [Special Session HB 3]

The first three of the statewide reductions are designed to save not only general fund but also all other funds. Given the structural imbalance and the current revenue projections for the 2005 biennium, a number of the recommendations to the Special Session will help to balance FY 2003 and the 2005 biennium as well.

- **HB 124 “The Big Bill” Adjustments total \$2.676 million:**
  - LC0024 will correct the county growth percentages, which saves \$430,000
  - Correct the hard-coded school appropriation overfunding by \$1.331 million for a net savings of \$1.054 million general fund
  - Reduce school district block grants by \$1.776 million to accurately reflect HB 540 change in vehicle revenues for a net savings to the general fund of \$1.202 million
  - Eliminate \$210,000 of distributions on the 6 mill levy, which is accounted for in the adjusted recommendations in the Montana University System
  - Fix the Bozeman accrual at a general fund cost of \$220,000
- **One-Time Funding Switches total \$14.183 million:**
  - Department of Transportation highway state special revenue of \$8.337 million saves general fund of \$8.268M in HB 2 and \$69K in HB 13 for the Department of Justice Motor Vehicle Division
  - Department of Labor and Industry employee security account state special revenue of \$4 million replaces general fund for various job training and job preparation services in the Departments of Public Health and Human Services, Military Affairs and Labor, with federal Reed Act funds replacing the ESA funds in the Job Service.
  - Lodging facility use taxes of \$1.915 million from the Department Commerce replace \$1.691 million general fund in HB 2 tourism-related services in FWP Parks, Montana Historical Society, Montana Arts Council and the Museum of the Rockies, with an additional \$224K in HB 8 to replace general fund in the regular-session HB 9 cultural and aesthetic grants for museums, art galleries and tourist events
- **Revising Allocation of taxes and royalties to the general fund total \$6.499 million:**
  - HB 10 reallocates \$4.759 million of coal severance tax, oil and natural gas and metalliferous mine tax from various programs and agencies to the general fund
  - SB 1 eliminates the requirement that \$1 million of the alcohol tax be transferred to counties for distribution to approved programs and allows it to be used as Medicaid match for treatment of drug and alcohol addictions
  - LC0021 revises the distribution of U.S. mineral royalties for three years creating \$740K for the general fund in FY 2003





- **Budget Reductions of \$6.07 million to transfer funds for the general fund:**
  - Department of Commerce Research and Commercialization will transfer \$1.685 million (including \$485K from the earlier 17-7-140, MCA, reductions) upon passage and approval of HB 5 and \$425K from the Certified Communities program
  - Department of Environmental Quality will transfer \$1 million of Orphan Share funds to the general fund and eliminate a \$300K reclamation grant
  - Department of Natural Resources and Conservation will transfer \$1 million RIT to replace general fund appropriations and reduce \$467K of a reclamation grant
  - Department of Agriculture will forego \$693K of Growth Through Agriculture grant funds and transfer \$500K of RIT for weeds
  - Liquor store incentive of \$235K and Montana Lottery reductions of \$190K will increase general fund revenues.
- **Higher Education reduction is \$3.19 million** (see Section E for details)
- **K-12 Public School adjustments net to \$8.066 million** (see Section E for details)

Preparation of the initial reductions and adjustments, followed by preparation of these Special Session recommendations, has been a difficult process. The assistance and cooperation of agency directors, elected officials and untold numbers of state employees have been exemplary. All of us at the OBPP deeply appreciate the leadership and willingness of so many to work with us to find solutions for the needed budget reductions.

My staff and I will do everything possible to assist you in your Special Session deliberations and decision-making. We will welcome your thoughts for the 2005 biennium as well.

Sincerely,



Chuck Swysgood  
Budget Director



# Special Session General Fund Balance Sheet

(millions)

|  | <u>FY2002</u>  | <u>FY2003</u>          |
|--|----------------|------------------------|
| <b>Beginning Fund Balance</b>                      | \$ 172.85      | \$ 91.71               |
| <b>Revenues</b>                                    |                |                        |
| HJR2-Adjusted Revenue Estimates                    | \$ 1,330.53    | \$ 1,347.04            |
| Projected Shortfall                                | <u>(58.83)</u> | <u>(88.57)</u>         |
| Revised Total Revenues                             | \$ 1,271.70    | \$ 1,258.47            |
| <b>Residual Equity Transfers</b>                   | \$ 0.40        | -                      |
| <b>Expenditures</b>                                |                |                        |
| HB2 Appropriations                                 | \$ 1,121.44    | \$ 1,151.11            |
| Statutory Appropriations w/o Fire and Emergency    | 135.66         | 129.62                 |
| Fire and Emergency Statutory                       | 13.25          | -                      |
| NonBudgeted Transfers Out                          | 18.76          | 13.04                  |
| Other Appropriations                               | 72.94          | 89.90                  |
| Supplemental Appropriations                        | -              | 5.58                   |
| Legislative Feed Bill (incl CA)                    | 2.29           | 7.20                   |
| Reversions   | (8.77)         | (6.77)                 |
| 17-7-140 Reductions                                |                | <u>(23.75)</u>         |
| Revised Total Expenditures                         | \$ 1,355.56    | \$ 1,365.94            |
| <b>Adjustments</b>                                 | \$ 2.32        | -                      |
| <b>Ending Fund Balance Before Actions</b>          | \$ 91.71       | \$ (15.77)             |
| <b>Proposed Actions</b>                            |                |                        |
| Revenue Changes                                    |                | \$ 5.50                |
| Transfers to General Fund                          |                | 1.00                   |
| HB2 Changes (reductions, increases, fund switches) |                | 31.71                  |
| Statutory Appropriation Changes                    |                | 1.57                   |
| NonBudgeted Transfer Changes                       |                | 1.20                   |
| Other Appropriations Changes                       |                | 2.89                   |
| Feed Bill - Special Session                        |                | (0.40)                 |
| Reversion Changes                                  |                | <u>1.80</u>            |
| Total Proposed Actions                             |                | \$ 45.26               |
| <b><u>Projected Ending Fund Balance</u></b>        |                | <b><u>\$ 29.50</u></b> |



**General Fund Revenue Estimates (millions) - July 19, 2002  
Comparison with HJR2 (Adjusted for Legislation)**

|                           |                               | Fiscal Year 2002   |                       |                   | Fiscal Year 2003   |                       |                   | 2003 Biennium      |                       |                    |
|---------------------------|-------------------------------|--------------------|-----------------------|-------------------|--------------------|-----------------------|-------------------|--------------------|-----------------------|--------------------|
| Revenue Source            |                               | HJR2<br>Estimate   | 7/18/2002<br>Estimate | Change            | HJR2<br>Estimate   | 7/18/2002<br>Estimate | Change            | HJR2<br>Estimate   | 7/18/2002<br>Estimate | Change             |
| 1                         | Individual Income Tax         | \$574.995          | \$522.241             | (\$52.754)        | \$593.138          | \$532.686             | (\$60.452)        | \$1,168.133        | \$1,054.927           | (\$113.206)        |
| 2                         | Property Tax                  | 170.971            | 170.224               | (0.747)           | 176.690            | 174.187               | (2.503)           | 347.661            | 344.411               | (3.250)            |
| 3                         | Corporation License Tax       | 81.543             | 88.147                | (13.396)          | 82.854             | 62.495                | (20.359)          | 164.397            | 130.542               | (33.755)           |
| 4                         | Vehicle Tax                   | 77.319             | 72.217                | (5.102)           | 77.291             | 73.300                | (3.991)           | 154.610            | 145.517               | (9.093)            |
| 5                         | Interest & Income             | 48.703             | 50.298                | 1.595             | 51.233             | 48.801                | (2.432)           | 99.936             | 99.099                | (0.837)            |
| 6                         | Insurance Tax                 | 42.666             | 47.338                | 4.672             | 44.050             | 46.890                | 2.840             | 86.716             | 94.228                | 7.512              |
| 7                         | Video Gaming License Fee      | 41.578             | 43.466                | 1.948             | 45.192             | 45.171                | (0.021)           | 86.710             | 88.637                | 1.927              |
| 8                         | Coal Trust Interest Earnings  | 36.401             | 37.605                | 1.204             | 36.276             | 37.146                | 0.870             | 72.677             | 74.751                | 2.074              |
| 9                         | Vehicle Fees                  | 25.182             | 27.073                | 1.891             | 25.692             | 27.479                | 1.787             | 50.874             | 54.552                | 3.678              |
| 10                        | US Mineral Royalties          | 21.756             | 19.772                | (1.984)           | 20.474             | 20.474                | 0.000             | 42.230             | 40.246                | (1.984)            |
| 11                        | Retail Telecom. License Tax   | 20.253             | 19.594                | (0.659)           | 21.113             | 21.910                | 0.797             | 41.366             | 41.504                | 0.138              |
| 12                        | Tobacco Settlement Funds      | 18.925             | 18.647                | (0.278)           | 19.147             | 18.916                | (0.231)           | 38.072             | 37.563                | (0.509)            |
| 13                        | Other Revenue                 | 18.145             | 25.999                | 7.854             | 22.634             | 20.358                | (2.276)           | 40.779             | 46.357                | 5.578              |
| 14                        | Estate Tax                    | 17.118             | 13.938                | (3.180)           | 10.097             | 9.299                 | (0.798)           | 27.215             | 23.237                | (3.978)            |
| 15                        | TCA Interest Earnings         | 14.671             | 13.098                | (1.573)           | 14.102             | 13.449                | (0.653)           | 28.773             | 26.547                | (2.226)            |
| 16                        | Institutional Reimbursements  | 12.521             | 14.325                | 1.804             | 12.932             | 14.932                | 2.000             | 25.453             | 29.257                | 3.804              |
| 17                        | Oil/NG Production Tax         | 12.407             | 12.902                | 0.495             | 11.984             | 13.819                | 1.835             | 24.391             | 26.721                | 2.330              |
| 18                        | Liquor Excise & License Tax   | 9.661              | 9.514                 | (0.147)           | 10.220             | 10.019                | (0.201)           | 19.881             | 19.533                | (0.348)            |
| 19                        | Coal Severance Tax            | 9.073              | 8.469                 | (0.604)           | 9.058              | 8.626                 | (0.432)           | 18.131             | 17.095                | (1.036)            |
| 20                        | Cigarette Tax                 | 8.057              | 7.887                 | (0.170)           | 7.889              | 7.879                 | (0.010)           | 15.946             | 15.766                | (0.180)            |
| 21                        | Investment Licenses & Permits | 6.580              | 4.992                 | (1.588)           | 7.119              | 5.411                 | (1.708)           | 13.699             | 10.403                | (3.296)            |
| 22                        | Lottery                       | 6.249              | 7.466                 | 1.217             | 6.178              | 6.320                 | 0.142             | 12.427             | 13.786                | 1.359              |
| 23                        | Liquor Profits                | 5.831              | 5.700                 | (0.131)           | 5.845              | 5.600                 | (0.245)           | 11.676             | 11.300                | (0.376)            |
| 24                        | Nursing Facility Fees         | 5.547              | 5.938                 | 0.391             | 5.575              | 5.958                 | 0.383             | 11.122             | 11.896                | 0.774              |
| 25                        | Metal Mines Tax               | 4.706              | 3.329                 | (1.377)           | 4.553              | 3.408                 | (1.145)           | 9.259              | 6.737                 | (2.522)            |
| 26                        | Electrical Energy Tax         | 4.644              | 4.197                 | (0.447)           | 4.664              | 4.197                 | (0.467)           | 9.308              | 8.395                 | (0.913)            |
| 27                        | Highway Patrol Fines          | 4.191              | 4.050                 | (0.141)           | 4.262              | 4.087                 | (0.175)           | 8.453              | 8.137                 | (0.316)            |
| 28                        | Wholesale Energy Trans. Tax   | 3.568              | 2.906                 | (0.662)           | 3.614              | 3.332                 | (0.282)           | 6.238              | 6.944                 | 0.706              |
| 29                        | Beer Tax                      | 2.885              | 2.784                 | (0.101)           | 3.013              | 2.826                 | (0.187)           | 5.898              | 5.610                 | (0.288)            |
| 30                        | Contractor's Gross Rec. Tax   | 2.441              | 3.215                 | 0.774             | 2.478              | 1.983                 | (0.495)           | 4.919              | 5.198                 | 0.279              |
| 31                        | Tobacco Tax                   | 2.265              | 2.183                 | (0.082)           | 2.400              | 2.356                 | (0.044)           | 4.665              | 4.539                 | (0.126)            |
| 32                        | Driver's License Fees         | 2.178              | 2.585                 | 0.407             | 2.194              | 2.323                 | 0.129             | 4.372              | 4.908                 | 0.536              |
| 33                        | Rail Car Tax                  | 1.688              | 1.500                 | (0.188)           | 1.718              | 1.629                 | (0.089)           | 3.406              | 3.129                 | (0.277)            |
| 34                        | Wine Tax                      | 1.300              | 1.232                 | (0.068)           | 1.357              | 1.200                 | (0.157)           | 2.857              | 2.432                 | (0.225)            |
| 35                        | Telephone Tax                 | 0.000              | 0.212                 | 0.212             | 0.000              | 0.000                 | 0.000             | 0.000              | 0.212                 | 0.212              |
| <b>Total General Fund</b> |                               | <b>\$1,315.958</b> | <b>\$1,255.043</b>    | <b>(\$60.915)</b> | <b>\$1,347.036</b> | <b>\$1,258.466</b>    | <b>(\$88.570)</b> | <b>\$2,662.994</b> | <b>\$2,513.510</b>    | <b>(\$149.485)</b> |



## **Change in Revenue Forecast Since Early June**

The revenue forecast since early June has resulted in an additional \$37.506 million net reduction in total general fund revenues. Some revenue sources have declined considerably, while others have improved, providing the above discussed net reduction. The following sections discuss each of the revenue items that have changed significantly since early June.

### **Individual Income Tax**

Collections from the individual income tax for fiscal year 2002 are \$19.3 million lower than anticipated at the beginning of June. Refunds finished the year nearly \$10 million higher than what was anticipated, while payments coming in with returns are more than \$5 million lower than anticipated. Withholding and quarterly estimate tax payments, while close to anticipated levels, also finished the year \$2.5 million below June expectations.

Also adding to the additional shortfall in income tax are the accounting adjustments that occur at fiscal year end. In early June we anticipated these adjustments to provide a net increase in revenue of \$14.9 million; in fact these adjustments added just \$8.9 million, which increased the shortfall by an additional \$6 million.

Offsetting these added shortfalls is an increase in anticipated collections from audit revenue, prior year and amended returns, and penalty and interest of \$4.2 million above the level anticipated in early June.

This additional shortfall in the income tax generally carries over to fiscal year 2003 as well.

### **Corporation License Tax**

The additional nearly \$2 million shortfall in corporation license tax collections in fiscal year 2002 also is attributable to both revenue shortfalls, and an unanticipated refunds payable accrual which increased the shortfall an additional \$1.233 million.

Collections from the regular corporation tax were very nearly equal to anticipated collections, but ended the year \$1 million short of June expectations. Collections from quarterly estimated tax payments, including the estimated impact of the federal 30% bonus depreciation rules, were \$2.257 million lower than anticipated in early June.





Finally, larger than anticipated audit collections and lower than anticipated refunds offset these increases in the shortfall by about \$2.6 million.

### School Trust Interest and Income

School trust interest and income is expected to be \$50.298 million for fiscal 2002. This is \$2.720 million higher than projected at the beginning of June. Trust fund interest earnings have not been affected by falling interest rates as much as was projected, and June and year-end receipts of several types of trust land income were higher than projected.

### Coal Trust Interest

Coal trust interest for fiscal 2002 is now anticipated to end the year at \$37.605 million, which is \$0.708 million higher than projected at the beginning of June. The original HJR2 projection was for earnings to be \$1.2 million lower than in fiscal 2001 because of lower interest rates. The June projection anticipated earnings to be \$0.5 million lower for fiscal 2002 than in fiscal 2001. Actual earnings are only \$0.055 million lower. Trust fund interest earnings have not been affected by falling interest rates as much as was projected.

### U.S. Mineral Royalties

U.S. mineral royalties for fiscal 2002 are now anticipated to end the year at \$19.772 million, which is \$1.984 million less than projected in HJR2. Coal prices have been lower than projected and less of the coal being mined has been on federal land.

Montana's coal mines have a mix of federal, state, tribal, and private mineral leases, which often form a checkerboard pattern. As a mining company moves through its lease area, sometimes it will be mining primarily federal coal and at other times it may be mining primarily state, tribal, or private coal. In fiscal 2002, the mix of land being mined was different than in the last several years, and a smaller percentage of coal production was from federal land.

The forecast was not revised at the beginning of June. At that time, the Minerals Management Service's royalty reporting system was several months behind, and it was not known that the percentage of coal being mined from federal land had decreased.

### Other Revenue



All other general fund revenue for fiscal 2002 is projected to be \$25.999 million. This is \$7.854 million more than the HJR2 projection and \$2.709 million more than projected at the beginning of June.

Other revenue is made up of almost 300 individual revenue sources. A few are fairly large, but most are small. Several of the larger revenue sources ended the year larger than projected. These include reimbursement for state costs of fighting fires on federal lands, earnings on the State Auditor's Office's portfolio of regulated securities, and fees for driving records. Many of the smaller revenue sources also were higher than projected.

### Oil and Gas Production Tax

Oil and gas production tax collections for fiscal 2002 are now \$12.902 million; which is \$0.495 million more than the HJR2 projection, but \$1.357 million less than projected at the beginning of June. Production has been higher than projected. At the beginning of June, collections for the first half of the fiscal year had been recorded, and prices for the first half of the fiscal year were higher than projected. Prices dropped and rose again in the second half of the fiscal year, but the average was lower than projected at the beginning of June.

### Vehicle Tax and Vehicle Fees

The *vehicle tax* revenue estimate has increased by \$0.853 million in fiscal 2002 and by \$0.509 million in fiscal 2003 when compared to the estimate provided in early June. The *vehicle fees* revenue estimate has increased by \$0.877 million in fiscal 2002, and by \$0.759 million in fiscal 2003. The changes in these revenue estimates are due to more complete and reliable data being available and used in forecasting these revenue sources. This data comes from the county collection report administered by the Department of Revenue.

### Contractor's Gross Receipts Tax

The contractor's gross receipts tax revenue estimate has increased by \$1.359 million in fiscal 2002 when compared with early June estimate. This large increase is mainly due to personal property tax refunds in fiscal 2002 not being fully processed. These unprocessed refunds will be accounted for in fiscal 2003.



## Section A - General Government & Transportation

### 2110 Judiciary

#### Program Number and Name

04 District Court Operations

#### Agency Impact FY03

#### General Fund FY03

##### New Judgeships

\$152,137

(\$152,137)

HB 214 in the 2001 Session was passed and approved, creating two new District Court Judges in Cascade and Ravalli counties. However, no funding was provided for the operations of these judgeships. The recommendation in HB 2 is for an additional \$152,137, of which \$7,898 is one-time-only for initial office furnishings and equipment.

### 5401 Department of Transportation

#### Program Number and Name

Department

#### Agency Impact FY03

#### General Fund FY03

##### Fund Switch

\$0

\$8,268,000

The agency will transfer from fund balance a total of \$8,336,799 to replace general fund in the Department of Justice Motor Vehicle Division. Of the state special revenue, \$4,147,027 will come from restricted highway state special revenue and \$4,189,772 will come from unrestricted highway state special revenue.

### 5801 Department of Revenue

#### Program Number and Name

06 Customer Service Center

#### Agency Impact FY03

#### General Fund FY03

##### Residual Equity Transfer

\$0

\$400,000\*

This transfer was indicated in the Governor's reductions pursuant to 17-7-140, MCA, and, therefore, this amount \* is not included in the Special Session totals. It is only referenced here to explain language included in HB 2. Although the transfer to the general fund was included in the review of the reductions and transfers by the Legislative Finance Committee, there were questions raised about whether or not the department could do this transfer. Passage and approval of the HB 2 language will eliminate any remaining issues. The Department of Revenue received a supplemental appropriation in the 2001 Legislative Session for costs associated with the Customer Service Center. Beginning in FY 2002 the majority of the Customer Service Center was placed into HB 2 and is no longer in an internal service fund. Only a small portion of the Customer Service Center remains in the internal service fund for collection services. At the end of FY 2001, funds remained in the internal service fund from the supplemental appropriation. Section 17-4-106 (2), MCA, requires funds deposited in excess of the amount appropriated for operations must be carried forward into the next fiscal year for operations of the debt collection program. The executive is recommending the authority to transfer \$400,000 of fund balance in the internal service fund to the general fund be included in HB 2.

#### Program Number and Name

05 Resource Management

#### Agency Impact FY03

#### General Fund FY03



|                               |            |                  |
|-------------------------------|------------|------------------|
| <b>Liquor Store Incentive</b> | <b>\$0</b> | <b>\$235,000</b> |
|-------------------------------|------------|------------------|

HB 348 in the 2001 Session revised the liquor store laws, providing an increased commission to certain stores with increased sales. Passage of LC0044 would eliminate this increased commission. There is no impact to the department since this is statutory pass through authority.

## 6101 Department of Administration

**Program Number and Name**  
**15 Montana Lottery**

|   |                                  |                                 |
|---|----------------------------------|---------------------------------|
|   | <u><b>Agency Impact FY03</b></u> | <u><b>General Fund FY03</b></u> |
| <b>Increased Transfer to General Fund</b> | <b>(\$190,000)</b>               | <b>\$190,000</b>                |

The executive is recommending in HB 2 that the Montana Lottery make operating budget reductions of \$190,000 through various operating reductions and foregoing purchases of equipment.

## Section B –Public Health and Human Services

### 6901 Department of Public Health and Human Services

**Program Number & Name**  
**Department Language**

Section B of HB 2 includes a recommendation to strike the HB 2 language limiting the appropriation for grants or benefits and claims to expenditures only as grants or benefits and claims.

**Program Number & Name**  
**10 Disability Services Division**

|  |                                  |                                 |
|--|----------------------------------|---------------------------------|
|  | <u><b>Agency Impact FY03</b></u> | <u><b>General Fund FY03</b></u> |
| <b>Fund Switch Reducing General Fund</b> | <b>\$0</b>                       | <b>\$1,965,199</b>              |

A \$1,965,199 general fund decrease in FY 2003 for the Disability Services Division is replaced by a like amount of employee security account state special revenue funds administered by the Department of Labor and Industry for the job training services provided in the vocational rehabilitation extended employment and the section 110 grant of the federal Rehabilitation Act.

|   |            |            |
|---|------------|------------|
| <b>Institution and Residential Services</b> | <b>\$0</b> | <b>\$0</b> |
|---|------------|------------|

Section 2 of HB 2 includes a recommendation to amend the HB 2 boilerplate personal services line item restriction to allow only the Disability Services Division to move personal services to contract services to the extent required in adjusting the population between institution and residential settings.

**Program Number & Name**  
**33 Addictive and Mental Disorders**

|                            |                                  |                                 |
|----------------------------|----------------------------------|---------------------------------|
|                            | <u><b>Agency Impact FY03</b></u> | <u><b>General Fund FY03</b></u> |
| <b>Alcohol Tax Revenue</b> | <b>\$ 0</b>                      | <b>\$1,000,000</b>              |

SB 1 will allow for an additional \$1 million in alcohol tax revenue to be used as Medicaid match for the treatment of drug and alcohol addictions and related illnesses. The legislation will eliminate the requirement that \$1 million be transferred to counties for distribution to local state-approved programs. During the 2001 session, the Legislature authorized Medicaid coverage of chemical dependency services for adults. As a result, there has been a significant increase in funding via the Medicaid program to local chemical dependency programs from less than \$300 thousand in FY 2001 to \$1.8 million in FY 2003. In addition, the same local programs have received substantial increases in federal chemical dependency block grant funds, which increased from \$3.7 million in FY 1999 to \$6.4 million in FY 2003. Because of these





increases, this reduction is recommended as causing less disruption to services than any other option and as a way to avoid cutting \$3.7 million in Medicaid funding.

## Section C – Natural Resources & Commerce

### 5201 Department of Fish, Wildlife and Parks

#### Program Number & Name

##### 03 Fisheries Division

#### Agency Impact FY03

(\$150,000)

#### General Fund FY03

\$150,000

#### Reduction in RIT Revenues

There is a reduction of \$150,000 of RIT revenues proposed for redirection to the general fund in FY 2003 from the Future Fisheries program, with the reductions to continue in the 2005 biennium. The Future Fisheries program was created by the Legislature in 1995 to promote the enhancement of fishery habitats in rivers, streams and lakes. This reduction will result in the department being unable to fund a number of projects for habitat improvements. In most cases, the landowners and other interested and participating parties match the Future Fisheries funds. Thus, the actual reduction of funds spent on habitat improvements will be considerably more than \$450,000. This reduction is contingent on passage and approval of Special Session HB 9.

#### Program Number & Name

##### 06 Parks Division

#### Agency Impact FY03

\$0

#### General Fund FY03

\$257,707

#### Parks Fund Switch

A one-time fund switch of \$257,707 is recommended to replace the remaining general fund in the Parks Division with lodging facility tax dollars from the Department of Commerce. The parks are popular tourist destination sites and major attractions in the region. One of the biggest draws of state parks each summer are their special events such as Bannack Days at Bannack near Dillon; Buzzard Days at Makoshika near Glendive; Discovery Days at Spring Meadow in Helena, Chief Plenty Coups Day of Honor near Pryor and Candlelight tours in Lewis and Clark Caverns. The parks come to life with living history, games, demonstrations, plays, barbeques, races, and educational programs. The production of tourism-related marketing, promotion, directional and educational materials tell locals and tourists alike about state parks, park facilities, and special events and park attractions. The educational materials draw visitors into parks and in turn into local communities. These special events put on by the Parks Division are essential to the Montana economy. There is no net change to this appropriation for the Parks Division.

#### Eliminate Deposits to Parks Trust

(\$14,300)

\$408,000

Coal severance taxes currently allocated to the parks coal tax trust account will be redirected to the general fund for three years (FY 2003, 2004 and 2005). The Parks Division spends the interest earnings from this trust account to operate and maintain the state park system. In FY 2001 approximately \$400,000 was deposited in the trust account. Assuming 7 percent interest earnings, this proposal will result in a loss of \$14,300 the first year, \$42,800 the second year, and \$71,400 the third year for a total three-year loss of interest earnings of \$128,500. The proposal redirects approximately \$1,200,000 over the three-year period away from the parks trust resulting in a long-term perpetual loss of interest earnings from the parks coal trust account of \$71,400 annually. This will have a very significant effect on the parks system. Reductions will be made in park maintenance for items such as weed control, road grading and repairs, toilet cleaning, lawn mowing and general site upkeep; and interpretation such as school group tours, educational materials, classroom programs, and brochures. As visitation to Montana and to state parks increases, the cost to provide for more visitors also increases. User fees do not cover all operational, capital, or maintenance costs. Much of the operational costs at historic and cultural parks such as Bannack and Lewis and Clark Caverns are funded with coal tax.

### 5301 Department of Environmental Quality



**Program Number & Name****40 Remediation Division****Agency Impact FY03****General Fund FY03****Reduction in Orphan Share****\$0****\$1,000,000**

There will be a transfer of \$1 million from the fund balance of the Orphan Share program to the general fund, as recommended to be amended in HB 9 in Special Session.

**Reclamation and Development Grant Elimination****(\$300,000)****\$300,000**

The Gregory Mine Reclamation grant will be eliminated to allow the RIT funds to be used to replace general fund elsewhere.

**5706 Department of Natural Resources and Conservation****Program Number & Name****23 Conservation and Resource Development Division****Agency Impact FY03****General Fund FY03****Conservation Districts****(\$330,000)****\$330,000**

It is recommended in HB 10 that 50 percent of the 8.36% shared coal tax distribution account be reduced for all agencies and services participating in the account. The appropriated amount for the Conservation Districts will be reduced by \$330,000 upon passage and approval of the bill.

**CARD****\$0****\$1,000,000**

In the division there is a \$1 million fund switch from general fund to RIT reflected in HB 2, based upon passage and approval of HB 9.

**Reclamation and Development Grant Reduction****(\$466,752)****\$466,752**

The Reliance Refinery Soils and Sludge Cleanup grant will be reduced to allow the RIT funds to be used to replace general fund elsewhere.

**6201 Department of Agriculture****Program Number & Name****30 Agricultural Sciences Division****Agency Impact FY03****General Fund FY03****Weed Control****(\$500,000)****\$500,000**

A reduction of \$500,000 RIT for SB 326 weed eradication is reflected in HB 2 contingent on passage and approval of HB 9.

**Program Number & Name****50 Agricultural Development Division****Growth Through Agriculture****(\$693,000)****\$693,000**

The 8.36% shared coal tax account is being reduced by 50 percent for all participants, including the Growth Through Agriculture. The reduction will be \$193,000 upon on passage and approval of HB 10.

In addition, the statutory appropriation of general fund for Growth Through Agriculture also is being reduced by \$500,000 upon passage and approval of HB 5.



## 6501 Department of Commerce

### Program Number & Name

#### 51 Research and Commercialization

|                                | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|--------------------------------|---------------------------|--------------------------|
| Research and Commercialization | (\$1,200,000)             | \$1,200,000              |

The economic development grants and loans are recommended to be reduced by \$1.2 million for FY 2003 in HB 5. In addition, the Governor's reductions included \$485,000 of cuts via a transfer to the general fund, which also is recommended for legislative action in Special Session, bringing the total reductions to \$1.685 million.

### Program Number & Name

#### 52 Montana Promotion Division

|                   | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|-------------------|---------------------------|--------------------------|
| Tourism Promotion | (\$1,915,000)             | \$0                      |

There is recommended a reallocation of \$1.9 million of lodging facility use taxes in FY 2003 to replace a like amount of general fund for specific tourism-related purposes across state government. The Departments of Fish, Wildlife and Parks, the Montana Historical Society, the Montana Arts Council and the Montana University System Museum of the Rockies will use \$1,691,425 as the list below shows the changes to HB 2 recommended in the August 2002 Special Session. In addition, HB 8 will amend regular session HB 9 to use \$223,575 of lodging facility use taxes in lieu of general fund to fund some of the tourism-related cultural and aesthetic projects in FY 2003.

These one-time-only fund switches of \$1,915,000 are made possible by increased revenue collections above the amount budgeted during the last session and the curtailment of a new program by the department.

|                               | <u>Fiscal Year 2003</u> |
|-------------------------------|-------------------------|
| FWP Parks Division            | 257,707                 |
| MHS Museum Program            | 289,390                 |
| MHS Historic Sites            | 59,829                  |
| MHS Library- Archives Program | 461,192                 |
| MHS Publications              | 51,506                  |
| MAC Folklife Program          | 56,800                  |
| Museum of the Rockies         | 515,000                 |

### Program Number & Name

#### 60 Community Development Division

|            | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|------------|---------------------------|--------------------------|
| Coal Board | (\$435,000)               | \$435,000                |

A 50 percent reduction of the 8.36% shared coal severance tax account is being proposed in HB 10. This will reduce the appropriation to the coal board by \$435,000.

|                               | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|-------------------------------|---------------------------|--------------------------|
| Certified Communities Program | (\$425,000)               | \$425,000                |

The Certified Communities appropriation is being eliminated in FY 2003 for a savings of \$425,000 based on passage and approval of HB 5.



## Section D-Public Safety and Justice

### 4110 Department of Justice

#### Program Number & Name

##### 12 Motor Vehicle Division

|  | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|--|---------------------------|--------------------------|
| <b>Funding Switch</b>  | <b>\$0</b>                | <b>\$8,240,751</b>       |
| General fund will be reduced by \$8,240,751 and state special revenue from the Department of Transportation highways revenues will be increased by \$8,336,799 in FY 2003. The increased amount includes the HB 13 allocation, the Governor's reductions pursuant to 17-7-140, MCA, and the regular-session HB 2 agency-wide reductions of travel and 1% general fund vacancy savings that were allocated to the Motor Vehicle Division. Of the state special revenue, \$4,147,027 will come from restricted highway state special revenue and \$4,189,772 will come from nonrestricted highway state special revenue in the Department of Transportation. This is a one-time-only funding switch and no services or funding will be lost in either department's budget. This change is reflected in amendments to HB 2. |                           |                          |

### 6602 Department of Labor and Industry

#### Program Number & Name

##### 01 Job Service Division

|  | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|--|---------------------------|--------------------------|
| <b>Funding Switch</b>  | <b>\$0</b>                | <b>\$889,791</b>         |
| General fund will be reduced by \$889,791 and state special revenue increased by \$911,561 in FY 2003. The increased amount includes HB 13 allocations to the affected services, which are Jobs for Montana Graduates \$532,988, State Job Registry \$18,808, Displaced Homemakers \$219,765 and Apprenticeship and Training \$140,000. The increased state special revenue funds will come from the employee security account administered by the department. |                           |                          |

|   |            |            |
|---|------------|------------|
| <b>Funding Switch Reducing State Spec. Revenue</b>  | <b>\$0</b> | <b>\$0</b> |
| State special revenue will be reduced by \$4 million and federal special revenue increased by \$4 million in FY 2003. The reduction is the amount of the employee security account state special revenue that is being used to fund job training and job preparation in the Departments of Labor, Public Health and Human Services and Military Affairs. The Job Service program is held harmless with funding from the Reed Act federal special revenue funds. |            |            |

### 6701 Department of Military Affairs

#### Program Number & Name

##### 02 Challenge Program

|   | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|---|---------------------------|--------------------------|
| <b>Funding Switch</b>   | <b>\$0</b>                | <b>\$1,123,240</b>       |
| There is recommended a \$1,083,359 reduction in general fund in FY 2003 for the Youth Challenge program to be replaced by state special revenue funds in the amount of \$1,123,240 using the employee security account, which is administered by the Department of Labor and Industry. The increased amount includes the HB 13 pay plan allocation for the program. |                           |                          |





## Section E- Education

### 3501 Office of Public Instruction

Program Number & Name  
09 Distribution to schools

|  | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|--|---------------------------|--------------------------|
| Flexibility Fund general fund transfer | \$0                       | \$4,616,000              |
| Fund state special appropriation       | (\$4,883,000)             | \$0                      |

Reduce the general fund transfer appropriation to the school flexibility account to \$384,000. Of this remaining general fund authority \$184,000 has been reduced from the appropriation through the Governor's reductions allowed under 17-7-140, MCA, and is not available to the schools. This leaves \$200,000 for transfer from the general fund to the school flexibility account.

The state special appropriation also is reduced to leave a \$200,000 appropriation in the school flexibility account. The school flexibility account is new to schools and was intended as a tool of the legislature to give additional revenue to schools when revenue was available and is not considered part of the base budget. This proposal eliminates this new flexibility distribution to school districts.

For FY 2003, the Office of Public Instruction asked schools to use their flexibility fund revenue to pay for the Board of Public Education student testing requirements for FY 2003. The cost of the testing for FY 2003 is about \$200,000. The OBPP recommends allowing OPI to pay for the Board of Public Education student testing requirements with this appropriation, by adding the following language:

"It is the intent of the legislature that item 2q be used to pay for costs that would otherwise be incurred by districts to meet the board of public education student testing requirements."

The Office of Public Instruction has followed current HB 2 and has transferred \$4,816,000 of general fund to the school flexibility account. If these reductions are approved by the Legislature in Special Session, OPI will transfer \$4,616,000 back to the general fund. In the meantime, interest will have accrued in the school flexibility account. It is unknown how much interest will accrue to the school flexibility account, so the following language will transfer to the general fund the interest and any other cash in the school flexibility account.

"Any cash balance remaining in the school flexibility account must be transferred to the general fund by June 30, 2003."

|   | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|---|---------------------------|--------------------------|
| <b>Timber Harvest for Technology 20-9-343</b> | <b>(\$1,200,000)</b>      | <b>\$2,300,000</b>       |

This is a statutory appropriation not in HB 2. Special Session HB 4 will temporarily redirect revenue to the school interest and income account that 20-9-343, MCA, currently allocates to the school technology fund. Interest and income is the first funding of the state's obligation to schools. When interest and income increases, as it does with this proposal, it reduces the amount of other general fund sources needed to fund schools.

In HB 4, the following language is suspended for two years:  
MCA 20-9-343 Definition of and revenue for state equalization aid  
"(3)(a)...(ii) an amount of money equal to the income money attributable to the difference between the average sale value of 18 million board feet and the total income produced from the annual timber harvest on common school trust lands during the fiscal year to the school technology account in the state special revenue fund, which is statutorily appropriated, pursuant to 20-9-534, MCA, to be used for the purposes of 20-9-533; ..."



DNRC estimates that \$1.2 million in FY 2002 and \$1.1 million in FY 2003 would be transferred to the technology fund. OPI distributes the revenue collected in the previous fiscal year on September 1. For example the revenue received in FY 2001 was distributed to districts September 1, 2001 or in FY 2002. If HB 4 is passed and approved, FY 2002 and FY 2003 revenue will be available in the biennial fund balance. Districts would not receive timber harvest for technology revenue in FY 2003 and FY 2004.

|   | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|---|---------------------------|--------------------------|
| <b>Reduce the DSA and increase the GTB percentage</b>   | <b>(\$1,151,000)</b>      | <b>\$1,151,000</b>       |
| LC0036 reduces the direct state aid (DSA) portion of the district BASE budget from 44.7 percent to 44.4 percent and increases the guaranteed tax base (GTB) aid portion of the district BASE budget from 35.3 percent to 35.6 percent. The \$1,151,000 accounts for both the reduced cost of DSA and the increased cost of GTB. |                           |                          |

This proposal has no effect on school BASE and maximum budget amounts or entitlement increases for FY 2003. Schools will have the same revenue available for expenditure. However, local mill levies will need to increase approximately ¾ of a mill on average in order to backfill the state general fund loss.

|   | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|---|---------------------------|--------------------------|
| <b>HB 124 technical correction to district block grants</b> | <b>(\$1,775,768)</b>      | <b>\$1,775,768</b>       |
| <b>Automatic GTB back fill of block grant</b>               | <b>\$575,000</b>          | <b>(\$575,000)</b>       |

LC0024 contains technical corrections to HB 124 that reduce the FY 2003 appropriation to school districts. The correction is a result of a miscalculation of the effects of HB 540 on vehicle revenues. Later analysis has determined that the light vehicle reductions from HB 540 in FY 2002 was 88.6 percent of the FY 2001 level instead of 93.4 percent as stated in the bill. The change in the FY 2003 appropriation accounts for block grants being over-paid in FY 2002 and the reduced level for FY 2003; therefore, the FY 2002 and FY 2003 combined biennial appropriation will be correct. The ongoing appropriation will begin at the average block grant for FY 2002 and FY 2003 plus the inflator of 0.76 percent.

When the block grants are reduced in FY 2003, there is an automatic backfill of a portion of this amount from the guaranteed tax base aid portion of the school funding formula. This amount is \$575,000.

|   | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|---|---------------------------|--------------------------|
| <b>HB 124 technical correction to county block grants</b> | <b>(\$1,330,869)</b>      | <b>\$1,330,869</b>       |
| <b>Automatic GTB back fill of block grant</b>             | <b>\$277,000</b>          | <b>(\$277,000)</b>       |

LC0024 contains technical corrections to HB 124 that reduce the FY 2003 appropriation to county school funds school. The correction is a result of a miscalculation of the effects of HB 540 on vehicle revenues, other minor errors, and changes in county allocations. Later analysis has determined that the light vehicle reductions from HB 540 in FY 2002 was 88.6 percent of the FY 2001 level instead of 93.4 percent as stated in the bill. The change in the FY 2003 appropriation accounts for block grants being over-paid in FY 2002 and the reduced level for FY 2003; therefore, the FY 2002 and FY 2003 combined biennial appropriation will be correct. The ongoing appropriation will begin at the average block grant for FY 2002 and FY 2003 plus the inflator of 0.76 percent.

When the block grants are reduced in FY 2003, there is an automatic backfill of a portion of the amount from the county retirement guaranteed tax base aid formula. This amount is anticipated to be \$277,000.



## 5102 Montana University System

### Program Number & Name

#### 09 Appropriation Distribution

|                                | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|--------------------------------|---------------------------|--------------------------|
| <b>General Fund Reductions</b> | <b>(\$3,399,912)</b>      | <b>\$3,399,912</b>       |

The general fund in HB 2 is being reduced by \$3,399,912.

|                                   |           |
|-----------------------------------|-----------|
| Lump Sum Reduction                | 2,864,195 |
| Community Colleges Reduction      | 131,591   |
| MAES Reduction                    | 235,162   |
| Extension Services Reduction      | 100,195   |
| MFCES Reduction                   | 20,804    |
| Bureau of Mines Reduction         | 35,345    |
| Fire Services Training Reduction  | 11,536    |
| Tribal College Transfer Reduction | 1,084     |

The Board of Regents recently met in Glendive and instituted a tuition surcharge for a portion of the 3.5 percent reduction related to the original Governor's reductions ordered in June. This surcharge will average \$38 per semester for a full time student in the Montana University System.

|   | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|---|---------------------------|--------------------------|
| <b>Lodging Facility Tax Fund Switch</b> | <b>\$0</b>                | <b>\$515,000</b>         |

The Museum of the Rockies, that is located at MSU Bozeman, will be funded with \$515,000 of lodging facility tax in FY 2003. This will replace the university's general operating budget that helps fund a portion of the museum. The general fund lump sum appropriation will be reduced by a like amount.

|                          | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|--------------------------|---------------------------|--------------------------|
| <b>6 Mill Adjustment</b> | <b>\$0</b>                | <b>(\$209,912)</b>       |

Upon passage and approval [LC0024] will end state reimbursements to counties for losses to the 6-mill revenue from business equipment tax reductions. Rather than paying these funds to the counties, who then would reimburse them to the state for the 6-mill account, state general fund support of the University System will be increased by \$209,912 and the flow to the 6 mill levy account will be reduced by \$209,912 with no net impact on University System support.

## 5114 Montana Arts Council

### Program Number & Name

#### 01 Promotion of the Arts

|  | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|--|---------------------------|--------------------------|
| <b>Reduction in C&amp;A Trust Fund Revenue</b> | <b>(\$6,000)</b>          | <b>\$203,000</b>         |

Revenue flowing to the cultural and aesthetic trust fund will be diverted to the general fund for FY 2003, FY 2004 and FY 2005 upon passage and approval of HB 10. Income from this trust fund is appropriated for the Cultural and Aesthetic Grant Program state special revenue account and will be reduced by approximately \$6,000 in FY 2003. This reduction in revenue stream will continue into the 2005 biennium.

|   |            |                 |
|---|------------|-----------------|
| <b>Lodging Facility Tax Fund Switch</b> | <b>\$0</b> | <b>\$56,800</b> |
|---|------------|-----------------|

The Folklife Program is funded with \$56,800 of cultural and aesthetic (C&A) state special revenue, but will be funded with lodging facility tax dollars in FY 2003. The freed-up C&A funds will be redirected back to the agency's arts education and grants to rural communities programs to backfill lost general fund.

The Folklife program encourages, promotes and documents the folk and traditional arts that are a vital part of Montana's cultural landscape. It is a core program to the agency. Montana traditional arts are especially



attractive to tourists: Indian bead and quill work, quilting, cowboy poets, pow-wows, wood carving, saddle-making, fiddle playing, etc. They add meaning and pleasure to tourists' visits to Montana. Tourists pay to attend authentic Montana events and they pay for traditional artists' products.

## 5115 Montana State Library

### Program Number & Name

01 State Library Operations

|  | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|--|---------------------------|--------------------------|
| <b>Coal Tax Shared Account</b>   | <b>(S130,096)</b>         | <b>\$130,096</b>         |
| The 50 percent reduction of the 8.36% of the coal severance tax collections in the shared coal tax account, proposed in HB 10, will generate \$140,000 for the general fund. HB 2 originally contained \$284,227 of appropriation authority in this account for the Montana State Library and a \$9,904 reduction already was made in the earlier budget reductions. [It is recommended that HB 2 be amended in the House Appropriations Committee to recognize the earlier cut.] The 50 percent reduction in the revenue stream will impact the periodical database, grants to library federations and general operations at the library. This reduction in flow to the shared account will continue through the 2005 biennium. |                           |                          |

## 5117 Montana Historical Society

### Program Number & Name

02 Library-Archives Program

|   | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|---|---------------------------|--------------------------|
| <b>Lodging Facility Tax Fund Switch</b>   | <b>\$0</b>                | <b>\$461,192</b>         |
| It is recommended that the MHS Library-Archives Program replace general fund with lodging facility tax in FY 2003 in the amount of \$461,192. The program provides broad assistance directly related to Montana's tourism promotion efforts and to visitors. State promotional media efforts frequently secure historic photographs. Authors, screenwriters, and producers rely on records, diaries, historic newspapers and our staff for extensive historic time period and event information. Former Montanans and their descendants focus trips to our research library to track family stories. Most summer days, every chair in the Reading Room is occupied by an out-of-state visitor spending 2-8 hours in research. |                           |                          |

### Program Number & Name

03 Museum Program

|  | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|--|---------------------------|--------------------------|
| <b>Lodging Facility Tax Fund Switch</b>  | <b>\$0</b>                | <b>\$289,390</b>         |
| The State Museum is recommended to replace general fund with lodging facility tax in FY 2003 in the amount of \$289,390. The Museum exhibits ordinarily attract 75,000-100,000 visitors annually. Travelers from around the globe continue to be fascinated by C.M. Russell art and other Western art, and by artifacts from and information about Native Americans, cowboys, miners, and loggers. The MHS permanent and changing exhibits draw return visitors on topics such as the Lewis and Clark Expedition. The society's traveling exhibits become a staple in visitors attractions in regional and community museums throughout the state. |                           |                          |

### Program Number & Name

04 Publications

|   | <u>Agency Impact FY03</u> | <u>General Fund FY03</u> |
|---|---------------------------|--------------------------|
| <b>Lodging Facility Tax Fund Switch</b>   | <b>\$0</b>                | <b>\$51,506</b>          |
| The Publications program is recommended to replace general fund with lodging facility tax in FY 2003 in the amount of \$51,506. <i>Montana, The Magazine of Western History</i> and the society's press provide extremely attractive, professional historical information to broad audiences. Magazine subscribers from |                           |                          |





around the world plan trips to Montana based on historic sites and themes presented. The magazine and books arm visitors with sought-after information, such as the series on historic main streets around the state and its summer 2002 magazine issue on the historic attraction to western fly-fishing.

#### **Program Number & Name**

#### **06 Historic Site Preservation**

|   | <b><u>Agency Impact FY03</u></b> | <b><u>General Fund FY03</u></b> |
|---|----------------------------------|---------------------------------|
| <b>Lodging Facility Tax Fund Switch</b> | <b>\$0</b>                       | <b>\$59,829</b>                 |

It is recommended that the Historic Site Preservation program general fund be replaced with lodging facility tax in FY 2003 in the amount of \$59,829. Interest in Montana's historic and native places keeps and holds visitors in communities around Montana. The Preservation Office administers Montana's National Register of Historic Places and Landmark programs, which enable communities, businesses and property owners to secure "name recognition" for their historic properties, interpretive signage, and access to any available state or national grants or tax credits for rehabilitation of historic buildings, such as West Glacier's Belton Chalet transformation from abandoned to intensively used visitor space.

## **Section F-Long-Range Building Planning**

### **The Long Range Building Program**

|  | <b><u>Program Impact FY03</u></b> | <b><u>General Fund FY03</u></b> |
|--|-----------------------------------|---------------------------------|
|  | <b>(\$644,000)</b>                | <b>\$644,000</b>                |

HB 5 will be amended for a savings of \$644,000, which is the amount that the cash program will be reduced upon passage and approval of Special Session HB 10 amending the distribution of coal severance tax to the program in 15-35-108, MCA, from 12 percent to 10 percent. The administration recommends the statutory change for three years: FY 2003, 2004 and 2005. The only project reductions will occur in FY 2003. The cash program will have about \$1.3 million less than anticipated for appropriation by the 2003 Legislature. The following projects are recommended for reduction:

#### **HB 5, Chapter 573, Laws of 2001:**

| <b><u>Project</u></b>   | <b><u>Explanation</u></b> | <b><u>Appropriation</u></b> | <b><u>Reduction</u></b> |
|---|---------------------------|-----------------------------|-------------------------|
| <b>Master Plan Campuses, University System</b>  |                           | <b>\$100,000</b>            | <b>\$84,000</b>         |
| UM has completed work on a new campus master plan and the remaining \$16,000 will match other funds authorized by the legislature for this project. |                           |                             |                         |

**Develop Design to Expand COT, UM-COT, Helena** **\$365,000** **\$200,000**  
The 57<sup>th</sup> Legislature authorized \$125,000 in section 2(1) and \$240,000 in section 2(4) for this project. There is a contract through design development that can be funded with the amount remaining. Since there likely will not be a bond bill recommended to the 2003 Legislature, it would not be cost effective to complete the construction documents, which would need to be updated at an additional cost later. In the event a bond bill is passed and approved, the cost of completing the design plans would be included in the bill.

**Hazardous Material Mitigation Fund** **\$440,000** **\$100,000**  
This is a statewide account used by Architecture and Engineering to respond to asbestos and other hazardous materials. The 57<sup>th</sup> Legislature authorized \$350,000 in section 2(1) and \$90,000 in section 2(4) for this project. Although no known projects are in line for the \$100,000 the funds usually are required during the course of a biennium.

**Roof Replacements or Repairs, Statewide** **\$649,000** **\$100,000**  
The 57<sup>th</sup> Legislature authorized \$499,000 in section 2(1) and \$150,000 in section 2(4) for this project. Projects not started will be deferred.



**HB 5, Chapter 557, Laws of 1999;**

**Sprinkle Library UM - Missoula**

**\$657,000**

**\$ 55,000**

The project came in under bid and was able to include fire alarms as an addition. The project is closing now and this amount is anticipated to be left.

**Sprinkle MMHNCC - Lewistown**

**\$300,000**

**\$105,000**

Because the project is underway, the final cost is still unknown. This reduction will leave a \$15,000 contingency.

**The Cultural and Aesthetic Grants Program**

**Program Impact FY03**

**General Fund FY03**

**\$ 0**

**\$223,575**

House Bill 9 (Cultural and Aesthetic Grant Awards) is currently funded by general fund and cultural and aesthetic state special revenue funds. The bill contains a \$223,575 general fund appropriation in FY 2003. This appropriation will be replaced with lodging facility tax revenue if HB8 is passed and approved. A majority of the projects contained in the regular session HB 9 tie to cultural tourism: music and theatre productions, art and history museums, festivals and special events and exhibits, as well as historic buildings. Two-thirds of the projects in HB 9, on the average, are arts projects; one-third are history and other cultural projects. These institutions and projects do one of three things for tourism: they offer programs that draw tourists to them in the first place; tourists extend their stays because of them; or tourists spend more money because of them.



## Summary of Approved Reductions, Pursuant to 17-7-140, MCA

June 28, 2002

Total General Fund Appropriation eligible for reduction pursuant to 17-7-140, MCA

| Executive   | Elected     | Executive and Elected<br>Total |
|-------------|-------------|--------------------------------|
| 459,253,296 | 243,498,884 | 702,752,180                    |

Reductions Approved or Accepted by the Governor in general fund spending per agency

| Agency                            | Executive Total | Elected Total | Executive and Elected<br>Total | Percentage reduction of<br>general fund<br>appropriation |
|-----------------------------------|-----------------|---------------|--------------------------------|--|
| Judiciary                         |                 | 365,746       | 365,746                        | 1.2%   |
| Governor's Office                 |                 | 491,329       | 491,329                        | 9.2%   |
| Comm. of Political Practices      | 16,850          |               | 16,850                         | 4.7%   |
| State Auditor                     |                 | 11,792        | 11,792                         | 3.5%   |
| Office of Public Instruction      |                 | 978,430       | 978,430                        | 3.5%   |
| Crime Control Division            | 184,415         |               | 184,415                        | 10.0%  |
| Dept. of Justice                  |                 | 845,239       | 845,239                        | 3.5%   |
| Board of Public Education         | 17,774          |               | 17,774                         | 10.0%  |
| Commissioner of Higher Education  |                 | 5,152,141     | 5,152,141                      | 3.5%   |
| School for the Deaf & Blind       | 295,638         |               | 295,638                        | 8.1%   |
| Montana Arts Council              | 54,793          |               | 54,793                         | 9.8%   |
| State Library                     | 97,714          |               | 97,714                         | 5.1%   |
| Montana Historical Society        | 109,818         |               | 109,818                        | 5.8%   |
| Dept. of Fish, Wildlife & Parks   | 24,304          |               | 24,304                         | 8.6%   |
| Dept. of Environmental Quality    | 252,691         |               | 252,691                        | 6.0%   |
| Dept. of Livestock                | 39,180          |               | 39,180                         | 6.1%   |
| Dept. of Natural Resources & Cons | 166,557         |               | 166,557                        | 1.1%   |
| Dept. of Revenue                  | 1,187,688       |               | 1,187,688                      | 4.1%   |
| Dept. of Administration           | 429,664         |               | 429,664                        | 9.5%   |
| Appellate Defender                | 6,576           |               | 6,576                          | 3.5%   |
| Dept. of Agriculture              | 88,600          |               | 88,600                         | 4.2%   |
| Dept. of Corrections              | 2,297,533       |               | 2,297,533                      | 2.3%   |
| Dept. of Commerce                 | 768,297         |               | 768,297                        | 9.9%   |
| Dept. of Labor & Industry         | 140,193         |               | 140,193                        | 6.7%   |
| Dept. of Military Affairs         | 172,939         |               | 172,939                        | 3.9%   |
| Dept. of PHHS                     | 9,601,759       |               | 9,601,759                      | 3.5%   |
|                                   | 15,952,984      | 7,844,677     | 23,797,661                     |  |

|   |      |      |
|---|------|------|
| Percentage reduction of general fund<br>appropriation, by Executive or Elected: | 3.5% | 3.2% |
|---|------|------|



**List of Bills for the Governor's Recommendations**

**As of June 19, 2002**

**August 5, 2002, Special Session**

| <b><u>LC #</u></b> | <b><u>Bill #</u></b> | <b><u>Short Title</u></b>   | <b><u>Sponsor</u></b> |
|--------------------|----------------------|---|-----------------------|
| LC0013             | <b>HB 1</b>          | Feed Bill   | Lewis                 |
| LC0014             | <b>HB 2</b>          | Revise Ch. 572, L 2001 (HB 2)-- General Appropriations Act (HB 2)   | Lewis                 |
| LC0015             | <b>HB 3</b>          | Amend the pay plan bill (HB 13)   | Kasten                |
| LC0016             | <b>HB 4</b>          | Reallocate certain school timber money  | Kasten                |
| LC0017             | <b>HB 5</b>          | Revise transfers in research, commercialization and dept. of transportation                                 | Lewis                 |
| LC0019             | <b>HB 6</b>          | Change state vehicle mileage allowance  | Bookout-Reinicke      |
| LC0023             | <b>HB 7</b>          | Reallocating dedicated public school revenues   | Lewis                 |
| LC0043             | <b>HB 8</b>          | Switch funding for cult. & aesth. grants to bed tax from gen fund   | Lewis                 |
| LC0018             | <b>HB 9</b>          | Reduce GF shortfall through revising RIT [weeds, future fisheries, orphan share, reclamation & development] | Fisher                |
| LC0020             | <b>HB 10</b>         | Revise allocations of coal sev. tax, oil and gas tax, met. mines tax  | Balyeat               |
| LC0037             | <b>SB 1</b>          | Changing funding of alcohol and chemical dependency programs  | Cobb                  |
| LC0021             |                      | Revise distribution of federal mineral leasing funds  | Haines                |
| LC0024             |                      | HB 124 housekeeping and fixes   | Story                 |
| LC0035             |                      | Providing a two-day furlough and state hiring freeze  | Kasten                |
| LC0036             |                      | School BASE budget--reduce direct aid & increase GTB  | Mahlum                |
| LC0044             |                      | Eliminating increase in liquor store commission rates enacted in 2001                                       | Zook                  |



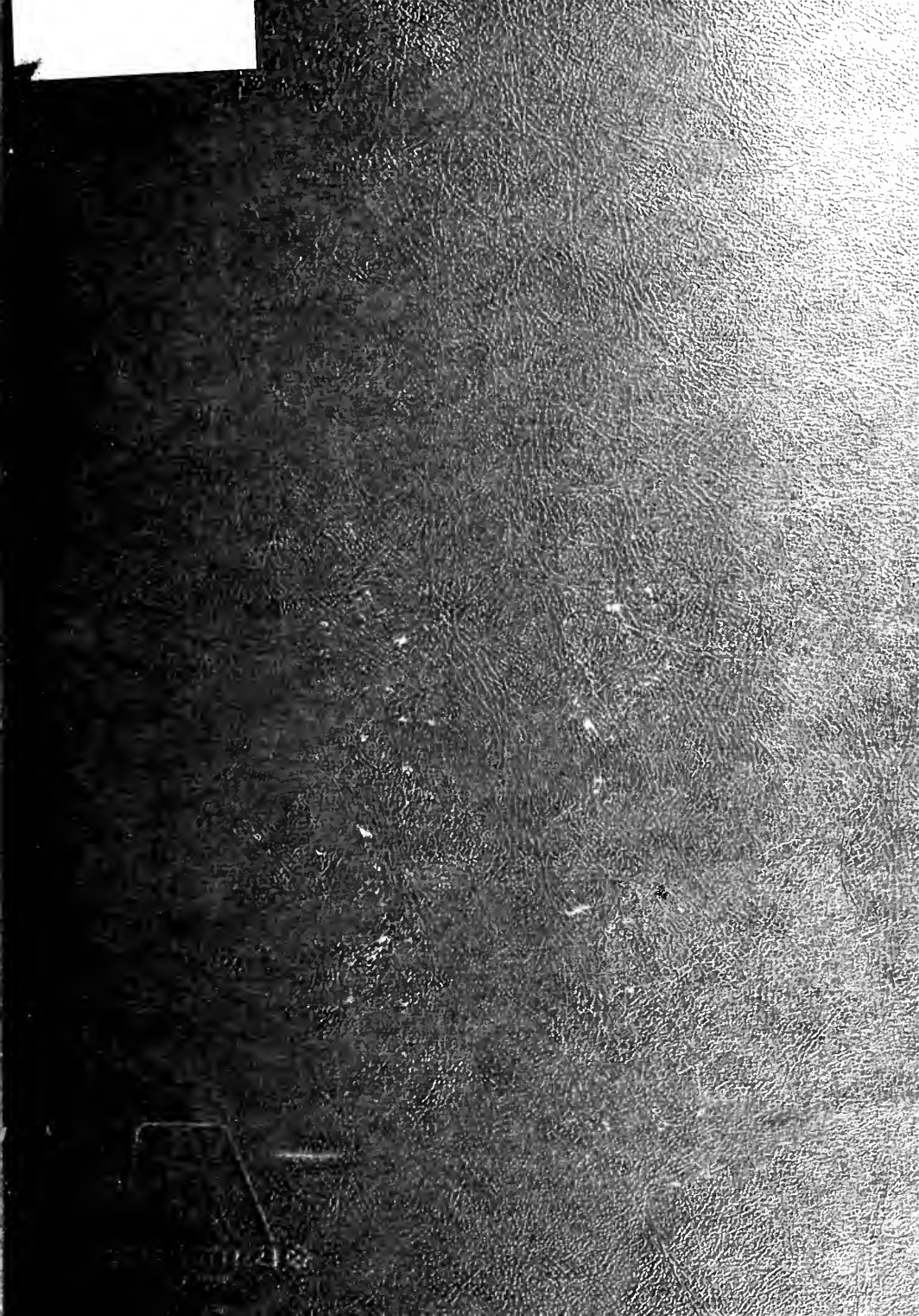


## Staff for the Office of Budget and Program Planning

**Chuck Swysgood, Budget Director** Amy Sassano, IT Business Systems Analyst  
 Curt Nichols, Assistant Budget Director Mike Walsh, Network Administrator  
 Jane Hamman, Assistant Budget Director Helen Kittel, Administrative Officer  
 Jeanne Nevins, Administrative Assistant

| <u>Code</u>  | <u>Agency</u>                     | <u>Executive Budget Analyst</u> | <u>Back-Up Staff</u> |
|--|-----------------------------------|---------------------------------|----------------------|
| <b>Section A – General Government &amp; Transportation</b> |                                   |                                 |                      |
| 1104   | Legislative Branch                | Christi Moyer                   | Matt Bugni           |
| 2110   | Judiciary                         | Matt Bugni                      | Christi Moyer        |
| 2115   | Chiropractic Legal Panel          | Christi Moyer                   | Matt Bugni           |
| 3101   | Governor's Office                 | Matt Bugni                      | Christi Moyer        |
| 3201   | Secretary of State                | Christi Moyer                   | Matt Bugni           |
| 3202   | Comm. of Political Practices      | Christi Moyer                   | Matt Bugni           |
| 3401   | State Auditor                     | Christi Moyer                   | Matt Bugni           |
| 5401   | Dept. of Transportation           | Amy Sassano                     | Matt Bugni           |
| 5801   | Dept. of Revenue                  | Matt Bugni                      | Jane Hamman          |
| 6101   | Dept. of Administration           | Matt Bugni                      | Jane Hamman          |
| 6102   | Appellate Defender                | Christi Moyer                   | Matt Bugni           |
| 6103   | State Fund                        | Kelly Gorin                     | Matt Bugni           |
| 6104-05  | PERS/TRS (non-budgeted)           | Kelly Gorin                     | Amy Sassano          |
| <b>Section B – Public Health and Human Services</b>        |                                   |                                 |                      |
| 6901   | Dept. of PHHS                     | Bob Andersen                    | Chuck Swysgood       |
| <b>Section C – Natural Resources &amp; Commerce</b>        |                                   |                                 |                      |
| 5201   | Dept. of Fish, Wildlife & Parks   | Kelly Gorin                     | Jane Hamman          |
| 5301   | Dept. of Environmental Quality    | Doug Schmitz                    | Kelly Gorin          |
| 5603   | Dept. of Livestock                | Doug Schmitz                    | Kelly Gorin          |
| 5706   | Dept. of Natural Resources & Cons | Doug Schmitz                    | Kelly Gorin          |
| 6201   | Dept. of Agriculture              | Doug Schmitz                    | Kelly Gorin          |
| 6501   | Dept. of Commerce                 | Doug Schmitz                    | Kelly Gorin          |
| <b>Section D – Public Safety &amp; Justice</b>             |                                   |                                 |                      |
| 4107   | Crime Control Division            | Brent Doig                      | Jane Hamman          |
| 4110   | Dept. of Justice                  | Christi Moyer                   | Jane Hamman          |
| 4201   | Public Service Regulation         | Brent Doig                      | Christi Moyer        |
| 6401   | Dept. of Corrections              | Brent Doig                      | Jane Hamman          |
| 6602   | Dept. of Labor & Industry         | Brent Doig                      | Doug Schmitz         |
| 6701   | Dept. of Military Affairs         | Brent Doig                      | Christi Moyer        |
| <b>Section E – Education</b>                               |                                   |                                 |                      |
| 3501   | OPI                               | Amy Carlson                     | Mark Bruno           |
| 3511-5   | Colleges of Technology            | Mark Bruno                      | Amy Carlson          |
| 5101   | Board of Public Education         | Amy Carlson                     | Mark Bruno           |
| 5102   | Commissioner of Higher Education  | Mark Bruno                      | Amy Carlson          |
| 5103-8   | MUS Six Units                     | Mark Bruno                      | Amy Carlson          |
|  | Community Colleges & Research     | Mark Bruno                      | Amy Carlson          |
| 5109   | MAES                              | Mark Bruno                      | Amy Carlson          |
| 5110   | MCES                              | Mark Bruno                      | Amy Carlson          |
| 5111   | Forestry Experiment Station       | Mark Bruno                      | Amy Carlson          |
| 5112   | Bureau of Mines                   | Mark Bruno                      | Amy Carlson          |
| 5113   | School for the Deaf & Blind       | Amy Carlson                     | Mark Bruno           |
| 5114   | Montana Arts Council              | Mark Bruno                      | Amy Carlson          |
| 5115   | State Library                     | Mark Bruno                      | Amy Carlson          |
| 5117   | Montana Historical Society        | Mark Bruno                      | Amy Carlson          |
| 5119   | Fire Services Training School     | Mark Bruno                      | Amy Carlson          |
| <b>Section F – Long-Range Planning – 6107 + Bills</b>      |                                   | Jane Hamman                     | Kelly Gorin          |







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